

A photograph of a desk setup. A silver laptop is partially visible at the top. A black smartphone lies on a red, textured mat. Below the phone is a white spiral notebook with a silver pen resting on it. The background features a white surface with grey geometric lines.

**Live and Invest Overseas**

**Taxes for Canadians Going Offshore**  
by  
**George C Gonzalez, PhD**

# Outline

- I. Residency v. Non-residency
- II. Taxation of Residents
- III. Taxation of Non-residents
- IV. Tax Treaties
- V. The Departure Tax

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## Residency: Tests (cont'd)

- ... or if your spouse or dependant continues to live in Canada, you are still considered a resident yourself.





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# Foreign Dividend Income

- No gross-up (like for eligible or non-eligible dividends from Canadian corporations)
- No dividend tax credit, either.



# Foreign Tax Credits

- A credit may be taken for foreign taxes paid on foreign source income.
- Examples of foreign source income that may have foreign taxes:
  - Dividends
  - Rental property income

# Foreign Tax Credits (cont'd)

- Foreign tax may have to be paid through tax withholding.
- Withholding tax depends on the country of origin









# Foreign Activity Reporting (cont'd)

- This CRA reference page lays out the penalties:

<https://www.canada.ca/en/revenue-agency/services/tax/international-non-residents/information-been-moved/foreign-reporting/table-penalties.html>

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# Common Types of Income Subject to Tax Withholding

- CPP and OAS
- Private pension income
- Registered plan withdrawals (RRSP, RRIF, etc.)
- Rental property income

# Tax Withholding Rate

- The default rate for tax withholding is 25%.
- The rate may be lower if a tax treaty applies (more on this later).

# Election to File in Lieu of Withholding

- For some types of income subject to withholding:
  - you may elect to file a return instead of paying tax through withholding.
  - It is worth looking into this election as it may save on your tax bill.





# Election to File in Lieu of Withholding (cont'd)

- The election to file a return instead of pay withholding tax may be especially beneficial for rental property income.
- Main reason: withholding is based on gross rental income (rather than net income after deductions).

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# Items Typically Covered Under a Tax Treaty

- Definition of residency
- Types of income subject to tax by each country
- Tax withholding rates for different types of income paid out of country (e.g., dividends, rent, royalties, etc.)

# Tax Treaties

- Very important to find out if there is a treaty between Canada and your new country of residence.
- ... and find out how it may affect your taxes.

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# Departure Tax

A red textured mat is visible in the top right corner of the slide. On the mat, there is a black smartphone and a white spiral-bound notebook with a silver pen resting on it.

- Applies on your last day as a resident.
- You are deemed to have disposed of your property at fair market value (FMV)...
- ... and to have immediately reacquired the property for the same amount.



## Departure Tax (cont'd)

- The effect of the “deemed dispositions” is that you will have gains and/or losses in your final tax return as a resident.

## Departure Tax (cont'd)

- Depending on the cost base and the fair market value of your property, you could potentially have large gains resulting in a high tax bill.

# Departure Tax (cont'd)

- Not all property is subject to the departure tax.
- Examples of exempt property:
  - Canadian real estate
  - Registered plans (RRSP, RRIFs, etc.)





The logo consists of the letters 'LLM' in a bold, black, sans-serif font. To the right of the 'M' is a small, solid black square.

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